

EX PARTE OR LATE FILED



SEP 30 1997

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## North Carolina Department of Commerce

James B. Hunt, Jr., Governor  
E. Norris Tolson, Secretary

Dennis W. McCarty, Director  
State Information Processing Services

September 29, 1997

William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

Dear Mr. Canton:

Enclosed is an exparte supplement filing submitted under Section 1.1206 of the FCC rules that reflects North Carolina's views and desires in the matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45.

Thank you providing your review and consideration in this matter.

Sincerely,

*Jim Broadwell*  
Jim Broadwell, Director  
State Telecommunications Services

cc: Irene Flannery, FCC, Universal Service Branch  
Richard Smith, FCC, Universal Service Branch  
Lori Wright, FCC, Universal Service Branch

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In the Matter of )  
 )  
Federal-State Joint Board ) CC Docket No. 96-45  
on Universal Service )

**EX PARTE SUPPLEMENT OF THE  
STATE OF NORTH CAROLINA'S STATE TELECOMMUNICATIONS SERVICES**

The State Telecommunications Services ("STS") of North Carolina, serving within the Department of Commerce of North Carolina, hereby submits this additional information in the above-captioned proceeding. This submission is made as an adjunct to the September 16, 1997 meeting with the Commission staff, and is being filed pursuant to Section 1.1206 of the Commission's rules. This information is to augment previous filings to assist the Commission staff in their understanding of the practices of STS and telecommunications services provided by this State government of North Carolina to their agencies, public schools, public libraries, and public health providers, and to allow for the synthesis of these effort into the Universal Service support structure developed by the Commission in this proceeding.

## I. An Overview of Services Provided by STS

North Carolina purchases services and equipment to provision end-to-end services for State government agencies

including the public institutions, city and county governments, public schools, public libraries, and public health care providers. The participation of city and county governments, public schools and public libraries is voluntary. Service and equipment contracts are provided on a costs basis inclusive of overhead. Overhead is held to a minimum so as to produce the least costs for the State through its ability to purchase telecommunications elements in bulk/large quantities. These provisions include all basic telecommunication services, including, but not limited to, voice, data, video, building wiring, telecommunications/data communications equipment, and the monthly billing thereof. Networks are constructed and provided through leased lines and services as established through the sealed bid process submitted against written specification documents or through special assembly for intralata circuits where competition is not available.

The assembling of service by STS results in substantially less cost to the end user than would be possible with the purchasing power and ability of an end user group alone. It is to such end that our state's General Assembly established a self-supporting entity, STS, to leverage such purchasing power and serve the best interest of the State without any appropriations from the General Fund. Since zero dollars are received for this purpose from the North Carolina General Fund, all overhead funding is completely provided in the rates charged

to the end user. For example, Internet access is provided at \$350 with \$10 overhead (see attached rate sheet).

These substantially lower rates are due to the efficiency of the STS operation and its ability to negotiate the lowest possible costs. (In the example above, our experience indicates the market value for this \$350 service would be about \$750.) These STS rates should be considered the pre-discounted rates as applied to the Universal Service Fund.

## **II. Consortium of Entities in North Carolina**

In recognition of the STS group in providing services, equipment, and the associated billing, the Department of Public Instruction, Public Libraries and Rural Health Care providers have agreed to support STS in seeking to provide the eligible services associated with Universal Service Fund reimbursement. As signified by their signatures on this filing sent under separate cover, the administration of USF applications could best be accomplished through the North Carolina entities' support of STS rather than each entity forming smaller consortia with less experience in these telecommunication matters, and with less volume and less purchasing leverage. This is especially significant for the smallest entities - the most economically disadvantaged schools have the least administrative capacity making it difficult to participate in a consortium.

Since the STS network provides these services now, it would be a continuation of service in many cases. The billing rates to qualified entities, as defined in the FCC order, would simply be reduced by the appropriate discount amounts for each entity. Application each month for reimbursement of the cost remainder would therefore best be made by STS to the Universal Service Fund Administrator for maximum efficiency.

### **III. Telecommunications Contracts For Service**

All contracts are multi-year contracts specifically generated to obtain the best costs for State government. A single year contract term does not result in the best cost for the State. Normally these contract terms are two years with renewal options for two additional one-year periods. Considerable time and administrative burden to establish such contracts make it inefficient for both the State and the vendor to enter contracts with less duration than two years. Most of North Carolina contracts for telecommunications services and equipment have been signed and executed since the referenced date of November 6, 1996. Therefore, it is most advantageous for North Carolina and many other states to be allowed to use these contracts that are driven to the least costs and that remain effective beyond December 31, 1998.

#### **IV. Oversight**

The utilization of the North Carolina State Telecommunications Services to provide telecommunications services to public schools, public libraries, and rural health care providers is an efficient and cost effective vehicle that provides greater cost benefits under Universal Services. Public schools, public libraries, and rural health care providers utilize STS on a voluntary basis and are not mandated by state statute to secure telecommunications service from STS. The rates charged to these, and all other STS clients, are subject to review and oversight by an independent governing body, the Information Resource Management Commission (IRMC), that provides a safeguard against excessive charges that would draw disproportional funds from the Universal Services fund. Additionally, STS provides services to large state agencies which participate in federal programs (e.g., Transportation, Employment Security Commission, Social Services), and are hence subject to federal oversight pursuant to OMB Circular #A-87 to ensure proper cost allocation.

#### **V. Conclusion**

It is in the best interest of our State government, public schools, public libraries, rural health care providers in

North Carolina that the FCC order contain provisions to allow the State's qualified entities to participate in the STS service as provisioned and described herein to the end of receiving Universal Service Fund reimbursement to STS. This system of service provisioning and billing at substantially reduced costs provided through bid processes meets the intent of the original order and law. Further, it provides the best costs and the least administrative costs for the end user, the State, and the Federal government.

## **VI. Recommendation**

We respectfully recommend that the Service Provider category be clarified to include organizations that provide telecommunication services, provided they meet the following criteria:

- A. The organization is established in a state agency or department pursuant to statute with responsibility and authority to provide telecommunications services to state agencies, schools systems, city and local government entities;
- B. The organization is a cost recovery operation with rate review and oversight by a state authoritative body external to the service providing organization;

C. The organization is required by State procurement law to solicit competitive bids for these services where competition exists, and

D. The organization is authorized to supply telecommunications services on a voluntary basis to the entities defined in the FCC order as eligible for Universal Service Fund discounts.

Respectfully submitted,

**STATE OF NORTH CAROLINA  
DEPARTMENT OF COMMERCE  
STATE INFORMATION PROCESSING SERVICES  
STATE TELECOMMUNICATIONS SERVICES**

By: Jim Broadwell by JHB  
Jim Broadwell, Director  
State Telecommunications Services  
3700 Wake Forest Road  
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September 29, 1997



North Carolina  
*School Net Rates*

SCHOOL-Net RATES TRIAL SHEET

	ANCHOR T1 Connections					School Net Connections		
	Primary T1 Port				Secondary Port	CDS		
	CDS			DDS		Option 1	Option 2	
	Zero Mileage Areas		Mileage Areas			School Site 56kbps Connection	School Site 56kbps Connection	School Site T1 Connections
	Bell South	Sprint						
Customer Premise	\$611	\$675	\$172	\$172	\$29	\$301	\$301	\$677
Circuit	\$438	\$503	(not in rate)	(not in rate)		\$183	\$183	\$556
Hardware	\$144	\$144	\$144	\$144		\$104	\$104	\$106
Maintenance	\$29	\$29	\$29	\$29	\$29	\$14	\$14	\$14
Infrastructure	\$399	\$399	\$399	\$399				
Circuits	\$188	\$188	\$188	\$188				
Hardware	\$211	\$211	\$211	\$211				
Support	\$77	\$77	\$77	\$77	\$77	\$38	\$38	\$38
CNS	\$60	\$60	\$60	\$60	\$60	\$32	\$32	\$32
NCC	\$17	\$17	\$17	\$17	\$17	\$6	\$6	\$6
STS Overhead	\$13	\$13	\$13	\$13	\$13	\$5	\$5	\$5
SIPS/OSC Overhead	\$45	\$45	\$45	\$45	\$45	\$5	\$5	\$5
Set Rate	\$1,138	\$1,225	\$700	\$700	\$150	\$350	\$350	\$725